

**MINUTES OF THE SPECIAL MEETING
OF THE AMES CITY COUNCIL**

AMES, IOWA

JANUARY 31, 2013

The Ames City Council met in special session at 2:07 p.m. on January 31, 2014, in the Council Chambers of City Hall, 515 Clark Avenue, pursuant to law with Mayor ProTem Matthew Goodman presiding and the following Council members present: Amber Corrieri, Tim Gartin, and Chris Nelson. Council Member Peter Orazem arrived at 2:37 p.m. Council Member Gloria Betcher arrived at 3:21 p.m. Mayor Ann Campbell and *Ex officio* Member Alexandria Harvey were absent.

FY 2014/15 BUDGET OVERVIEW: City Manager Steve Schainker told the Council that the FY 2014/15 budget he was recommending totaled \$236,821,276. He reported that there will be no property tax rate increase; it will remain at \$10.86/\$1,000 of assessed valuation. Mr. Schainker commended the work of Department Heads and their staff who had developed operating budgets in the General Fund that call for a decrease in expenditures of \$15,000 in FY 2014/15 compared to the prior year's Adopted.

Mr. Schainker also advised that the only utility rate increase programmed for 2014/15 was for sanitary sewer (8%). He informed the City Council that the recently completed Long-Range Facility Study had identified a significant number of needed capital improvement projects for the 24-year-old WPC Plant. Those improvements will need to be completed over the next five years and will necessitate a series of rate increases, beginning with the 8% increase in FY 2014/15.

Finance Director Duane Pitcher stated that the City's levy makes up 33.13% of a property's total tax bill; the School District makes up 44.72% (if in the Ames Community School District); 20.34% is the County's share (includes the City Assessor); and 1.81% goes to Des Moines Area Community College DMAACC). He reported that the recently passed State legislation, which reduced the taxable value on commercial and industrial properties from 100% to 95% of their assessed value, resulted in a loss of \$48,265,140 in taxable value.

Mr. Pitcher gave a comparison of City Property Tax Valuations and Total Levies to be collected for fiscal year 2013/14 for the 13 largest cities in Iowa. Ames has the second-lowest total city tax levy per \$1,000 valuation. Mr. Pitcher reiterated that, for FY 2014/15, the total tax levy/\$1,000 taxable valuation will be \$10.86. Mr. Schainker cautioned that the proposed budget did not include the levy if the convention center bond issue passes. Finance Director Pitcher presented a breakdown of the tax levy, including General, Employee Benefits, and Transit. The levy rate per \$1,000 without debt service equates to 7.27349. Net debt service adds 3.58189. The change in dollar value equates to a change in the dollar value of the levy of 1.17% (\$296,007). He noted that, without Local Option Tax, the levy would be \$12.68.

Council Member Nelson asked staff to provide an historical summary of the tax levy. Mr. Schainker covered that information, which was on Page 23 of the Special Reports.

Finance Director Pitcher presented an analysis of changes in taxable value for residential, commercial, industrial, and utilities (not including utilities subject to excise tax). He specifically noted that the percentage of assessed value subject to taxation for residential properties will increase from 52.8% in FY 2013/14 to 54.4% in FY 2014/15, yielding \$41,356,217 in additional taxable valuation. Commercial properties will decrease by \$41,634,238 and industrial properties will decrease by \$6,629,355 due to rollback. However, \$524,239 will be received from the newly

established State Replacement Tax proceeds will be received. The net change on existing property is -0.84.

The Police and Fire Trust Fund was explained by Mr. Pitcher. He described the use of applied principal to lower the estimated tax rate. For FY 2014/15, the tax rate is estimated to be 0.78331.

The Debt Service cost allocation for 2014/15 was reviewed by Mr. Pitcher. He named the projects for which the bond proceeds are used. The 2014/15 CIP General Obligation issue will equate to \$9,840,000. Mr. Pitcher provided a summary of current and proposed total debt service from 2013/14 to 2018/19. The FY 2014/15 Debt Service Levy will be 3.58189/\$1,000 valuation.

City Manager Schainker reported that another project not included in the debt service levy is the Research Park. Funding strategy for that project will need to be developed after certification of the budget.

Mr. Pitcher gave a detailed analysis of dollar value and percentage change of total levy by property type. Residential increased by 5.72%, Commercial decreased by 5.45%, Industrial decreased by 3.41%, and Utilities decreased by 6.58%. The percentage change in taxable value equates to 1.17%. He also gave an analysis of change in tax dollar payments by property type from FY 2013/14 to 2014/15. A five-year comparison of the percentage of taxable valuation by property type to total taxable valuation was shown to the Council.

Sample tax calculations for residential, commercial, and industrial properties were provided by Mr. Pitcher.

A summary of change in tax asking for 2014/15 was presented by Finance Director Pitcher. The total change in the General Levy will be \$107,659, Employee Benefit Levy will be \$90,920, Transit Levy will be \$35,915, and Debt Service Levy will be \$61,513; this results in a total change in tax asking of \$296,007.

The costs of City services for 2014/15 per residence from property taxes (based on a \$100,000 home) were summarized, as follows:

Streets/Traffic	\$	139
Police Protection		136
Fire Protection		89
Library		77
Recreation and Parks		56
Transit		36
General Support Services		23
Planning		10
Storm Sewer		6
Resource Recovery		6
Animal Control		5
Building and Grounds/Airport		5
Inspections/Sanitation		3
TOTAL	\$	<u>591/\$100,000</u>

An historic breakdown of the budget, specifically valuation increases and rollback, from 1993/94 to the present was given by Mr. Pitcher. He also reviewed the Full-Time Equivalents (FTEs)

recommended for 2014/15. The only increase in FTEs will be for Transit. Mr. Schainker explained how the costs of the new 5.6 FTEs would be allocated.

Finance Director Pitcher brought the Council's attention to the modest increases being proposed for development-related fees for FY 2014/15.

City Manager Schainker noted that information was included with the Special Reports to the Council pertaining to the ASSET allocation, COTA funding, Fall Grant Program from City Council Special Allocations account, and Public Art Commission.

The meeting recessed at 3:37 p.m. and reconvened at 3:41 p.m.

Budget Officer Nancy Masteller outlined the Fund Sheets beginning with the General Fund. Under the Transfers section, City Manager Schainker explained the "Electric - in Lieu of Taxes" line item. Ms. Masteller continued the explanation of Fund Sheets, including Special Revenue Funds [e.g., Local Option Sales Taxes, Hotel/Motel Tax, Leased Housing, Road Use Tax, City-Wide Affordable Housing, Tax Increment Financing, Employee Benefit Property Tax, Fire/Police Pension Retirement, FEMA/2010 Wind and Flood, Parks and Recreation Special Revenues, Don and Ruth Furman Aquatic Center Construction, Library Friends Foundation, Library Donations and Grants, Utility Assistance, Public Art Donations, Developer Projects, and Economic Development (Revolving Loans and Forgivable Loans)]. Also described by Ms. Masteller were Permanent Funds (Cemetery Perpetual Care Trust, Furman Aquatic Center Trust), Debt Service (payment of principal and interest on General Obligation Bonds, ISU participation in the repayment of bonds issued to fund Fire capital acquisitions), Capital Projects - Special Assessment, - Street Construction, - Airport Construction, - American Recovery and Reinvestment Act Energy Block Grant, - Various Construction Grants, and - Bond Proceeds.

Enterprise Funds were summarized by Budget Officer Masteller for the Water Utility, Water Construction (accounts for proceeds received from the State Revolving Loan Fund), Sewer Utility, Sanitary Sewer Improvements, Sewer Sinking (accounts for State Revolving Fund loan payments for sewer utility projects), Electric Utility, Parking Operations and Improvements, Transit Operations, GSB Transit Trust, Transit Capital Reserve, and Transit Agency Intermodal Facility (for construction of the Facility).

Referencing text on certain budget pages that states there is an unrestricted balance, e.g., Water, Council Member Gartin requested to have a line item added to point out that the funds were really dedicated for future large projects.

Ms. Masteller continued with the Enterprise Funds (Storm Sewer Utility, Ames/ISU Ice Arena, Ice Arena Capital Reserve (accounts for contributions from the City and ISU), Homewood Golf Course, and Resource Recovery.

Internal Services were summarized, including Fleet Maintenance, Fleet Replacement, Information Technology, Computer Replacement, Risk Management, and Health Insurance.

City Manager Schainker stated that \$247,000 had been placed in the Current Year Adjusted to be used for the Land Use Policy Plan update, \$1.1 million had been placed into the budget for City Hall Phase II renovations, and \$250,000 had been allocated for permit software for the Inspections Division.

Mr. Schainker brought the Council member's attention to the Projected Utility Increases for FY 2014/15 through 2018/19 that he had distributed to them. He emphasized that these were the best estimate at this time; however, are subject to change.

ADJOURNMENT: Moved by Nelson to adjourn the meeting at 5:08 p.m.

Diane R. Voss, City Clerk

Ann H. Campbell, Mayor